



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 17, 2007

### **H.R. 2844** **Food Security and Agricultural Development Act of 2007**

*As ordered reported by the House Committee on Foreign Affairs  
on June 26, 2007*

#### **SUMMARY**

H.R. 2844 would amend trade promotion and food assistance programs administered by the U.S. Department of Agriculture (USDA) and the U.S. Agency for International Development (USAID) and extend the authorization for those programs, generally through 2012. The bill would increase spending limits and authorize new purposes for spending from the Commodity Credit Corporation (CCC). H.R. 2844 also would authorize the appropriation of funds for several programs through 2012.

CBO estimates that enacting H.R. 2844 would increase direct spending by \$159 million in 2008, about \$1.5 billion over the 2008-2012 period, and more than \$3.5 billion over the 2008-2017 period. Additionally, CBO estimates that implementing H.R. 2844 would have discretionary costs of \$1.3 billion in 2008 and \$10.7 billion over the 2008-2012 period, assuming appropriation of the estimated amounts. Enacting the bill would not affect revenues.

H.R. 2844 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 2844 is shown in the following table. The costs of this legislation fall within budget functions 150 (international affairs) and 350 (agriculture).

**TABLE 1. ESTIMATED BUDGETARY IMPACT OF H.R. 2844**

	By Fiscal Year, in Millions of Dollars					
	2007	2008	2009	2010	2011	2012
<b>DIRECT SPENDING</b>						
Direct Spending Under Current Law for International Assistance and Trade Programs						
Estimated Budget Authority <sup>a</sup>	371	398	397	397	396	396
Estimated Outlays	371	398	397	397	396	396
Proposed Changes						
Estimated Budget Authority	0	159	245	308	350	391
Estimated Outlays	0	159	245	308	350	391
Direct Spending Under H.R. 2844 for International Assistance and Trade Programs						
Estimated Budget Authority	371	557	642	705	746	787
Estimated Outlays	371	557	642	705	746	787
<b>SPENDING SUBJECT TO APPROPRIATION</b>						
Discretionary Spending Under Current Law for International Assistance and Trade Programs						
Budget Authority <sup>b</sup>	2,125	0	0	0	0	0
Estimated Outlays	2,081	1,189	462	169	56	26
Proposed Changes						
Estimated Authorization Level	0	2,557	2,557	2,557	2,558	2,558
Estimated Outlays	0	1,285	2,057	2,358	2,480	2,524
Discretionary Spending Under H.R. 2844 for International Assistance and Trade Programs						
Estimated Authorization Level	2,125	2,557	2,557	2,557	2,558	2,558
Estimated Outlays	2,081	2,474	2,519	2,527	2,536	2,550

a. The amounts shown as spending under current law for 2007-2012 are CBO's baseline estimates of spending for the affected programs.

b. The 2007 budget authority is the amount appropriated in 2007 for the following programs: Public Law 480 title II (\$1,665 million), International Disaster and Famine Assistance (\$361 million), and McGovern-Dole Program (\$99 million).

## BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the start of fiscal year 2008, that the estimated amounts will be appropriated each year, and that outlays will follow historical spending patterns.

### Direct Spending

Enacting H.R. 2844 would increase direct spending for several programs, as shown in Table 2 and described below. In total, CBO estimates that under H.R. 2844, direct spending would increase by \$159 million in 2008, about \$1.5 billion over the 2008-2012 period, and over \$3.5 billion over the 2008-2017 period.

**TABLE 2. CHANGES IN DIRECT SPENDING UNDER H.R. 2844**

	By Fiscal Year, in Millions of Dollars											2008-	2008-
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2012	2017	
McGovern-Dole Program													
Estimated Budget Authority	73	139	195	235	275	294	300	300	300	300	917	2,411	
Estimated Outlays	73	139	195	235	275	294	300	300	300	300	917	2,411	
Bill Emerson Humanitarian Trust													
Estimated Budget Authority	85	85	85	85	85	85	85	85	85	86	425	851	
Estimated Outlays	85	85	85	85	85	85	85	85	85	86	425	851	
Market Access													
Estimated Budget Authority	1	20	25	25	25	25	25	25	25	25	96	221	
Estimated Outlays	1	20	25	25	25	25	25	25	25	25	96	221	
Other Programs													
Estimated Budget Authority	0	1	3	5	6	4	4	4	4	4	15	35	
Estimated Outlays	0	1	3	5	6	4	4	4	4	4	15	35	
Total Changes													
Estimated Budget Authority	159	245	308	350	391	408	414	414	414	415	1,453	3,518	
Estimated Outlays	159	245	308	350	391	408	414	414	414	415	1,453	3,518	

**McGovern-Dole Program.** Section 122 would change the spending authority for the McGovern-Dole International Food for Education and Child Nutrition Program. Under

current law, funding for this program is provided in annual appropriation acts (\$99 million was appropriated in 2007). Under H.R. 2844, funding would be provided by the U.S. Department of Agriculture's Commodity Credit Corporation in amounts specified in the bill, increasing from \$140 million in 2008 to \$300 million in 2012. CBO estimates that implementing this section would increase direct spending by \$917 million over the next five years and by \$2,411 million over the 2008-2017 period. Enacting this section also could reduce the need for discretionary spending as discussed below under the heading "Spending Subject to Appropriation."

**Bill Emerson Humanitarian Trust.** Section 121 would reauthorize the Bill Emerson Humanitarian Trust. The trust is authorized to hold agricultural commodities that can be donated overseas to meet emergency food needs in developing countries. Under current law, the CCC pays the costs of shipping commodities donated from the trust, while up to \$20 million of the funds appropriated to the Public Law 480 program can be used to reimburse the trust for the cost of the donated commodities. H.R. 2844 would raise the annual cap on these reimbursements from \$20 million to \$60 million. CBO estimates that raising that cap would increase donations from the reserve and the associated additional shipping costs would increase direct spending by \$425 million over the next five years and \$851 million over the 2008-2017 period.

**Market Access Program.** Section 202 would reauthorize and increase funding for the Market Access Program, an export promotion program funded through the Commodity Credit Corporation. The bill would increase annual funding for the program by \$25 million, from \$200 million to \$225 million a year. Under the bill, CBO estimates direct spending would increase by \$96 million over the 2008-2012 period and by \$221 million over the 2008-2017 period.

**Other Programs.** H.R. 2844 would affect direct spending in three other programs described below. In total, CBO estimates that enacting those provisions would increase direct spending by \$15 million over the 2008-2012 period and \$35 million over the 2008-2017 period.

- Section 201 and section 206 would amend the Export Credit Guarantee Program to eliminate the Supplier Credit Program, increase loan origination fees, and raise the amount of loans guaranteed under the Facilities Credit Program. CBO estimates that, together, these changes would reduce direct spending by \$19 million over the next five years and by \$39 million over the next 10 years.
- Section 301 would increase funding for the Technical Assistance for Specialty Crops Program by \$2 million a year from the previous year's level. CBO estimates that

amending the program to increase funding would increase direct spending by \$24 million over the next five years and by \$64 million over the next 10 years.

- Section 204 would increase direct spending by \$2 million a year over the 2008-2012 period for a new grant program to address sanitary and phytosanitary (pests and diseases harmful to plants) barriers to trade. CBO assumes direct spending for this new program would not be continued beyond its expiration in 2012. Under this assumption, CBO estimates that the new grant program would increase direct spending by \$10 million over the next five years.

### **Spending Subject to Appropriation**

H.R. 2844 would authorize the appropriation of funds for several programs. As shown in Table 3, CBO estimates that implementing H.R. 2844 would incur spending subject to appropriation of about \$1.3 billion in 2008 and \$10.7 billion over the 2008-2017 period.

**Public Law 480.** The Agricultural Trade Development and Assistance Act of 1954, typically referred to as Public Law 480, established a variety of programs to provide food assistance to countries around the world. Section 111 would authorize the appropriation of funds through 2012 for titles I, II, and III of Public Law 480.

The largest program in Public Law 480 is title II which provides emergency and nonemergency food aid around the world. (The appropriation for this program in 2007 totals about \$1.7 billion.) H.R. 2844 would authorize the appropriation of \$2.5 billion a year through 2012 for title II assistance.

There is no current appropriation for programs under title I or title III, and the bill would authorize such sums as may be necessary for those programs through 2012. Based on information from the U.S. Agency for International Development, and the last appropriation for each program, CBO estimates that \$100 million (\$70 million for title I and \$30 million for title III) in 2008 would be sufficient to implement those programs.

Adjusting for anticipated inflation and based on historical spending patterns for those programs, CBO estimates that, in total, implementing section 111 would cost \$1.4 billion in 2008 and \$11 billion over the 2008-2012 period, assuming appropriation of the estimated and specified amounts.

**McGovern-Dole Program.** As discussed above, under “Direct Spending,” enacting section 122 would change the spending authority for the McGovern-Dole International Food for

Education and Child Nutrition Program. Under this section, there would be no need for future appropriations for this program. Thus, CBO expects that the authorization of spending subject to appropriation would decline each year by the amount appropriated for this program in 2007 (\$99 million), adjusted for anticipated inflation. Therefore, CBO estimates discretionary savings under section 122 of \$101 million in 2008 and \$523 million over the 2008-2017 period, assuming appropriations are reduced by the estimated amounts.

**TABLE 3. CHANGES IN SPENDING SUBJECT TO APPROPRIATION**

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
<b>Public Law 480</b>					
Estimated Authorization Level	2,600	2,602	2,604	2,606	2,608
Estimated Outlays	1,366	2,118	2,410	2,528	2,574
<b>McGovern-Dole Program</b>					
Estimated Authorization Level	-101	-103	-105	-106	-108
Estimated Outlays	-101	-103	-105	-106	-108
<b>Disaster and Famine Assistance</b>					
Authorization level	40	40	40	40	40
Estimated Outlays	10	28	36	40	40
<b>Other Programs</b>					
Estimated Authorization Level	18	18	18	18	18
Estimated Outlays	10	14	17	18	18
<b>Total Changes</b>					
Estimated Authorization Level	2,557	2,557	2,557	2,558	2,558
Estimated Outlays	1,285	2,057	2,358	2,480	2,524

**Disaster and Famine Assistance.** Section 123 would designate funds for the International Disaster and Famine Assistance (IDFA) Program. (In 2007, the Congress appropriated \$361 million for this program.) The bill would require that \$40 million a year be spent through 2012 from funds provided to IDFA. CBO estimates that implementing this section would cost \$10 million in 2008 and \$154 million over the 2008-2012 period, assuming appropriation of the authorized amounts.

**Other Programs.** H.R. 2284 also would authorize the appropriation of funds for four additional programs. In total, CBO estimates that implementing these programs would cost \$10 million in 2008 and \$77 million over the 2008-2012 period, assuming appropriation of the estimated amounts.

- Section 114 would authorize the appropriation of \$10 million a year through 2012 for the John Ogonowski and Doug Bereuter Farmer-to-Farmer Program. This program provides technical assistance to farmers in countries in sub-Saharan Africa and the Caribbean basin.
- Section 109 would authorize the appropriation of such sums as may be necessary through 2012 for a program to establish sites to pre-position agricultural commodities in foreign countries to more quickly deliver food during emergencies. Based on information from USAID, CBO estimates that this program would cost \$4 million a year.
- Section 108 would authorize the appropriation of \$3 million a year through 2012 for a program to provide shelf-stable prepackaged foods to organizations that deliver food to needy individuals.
- Section 303 would authorize the appropriation of such sums as may be necessary through 2012 for the Secretary of Agriculture to provide assistance to certain entities to help reduce trade barriers and address intellectual property rights violations. Based on information from the Department of Agriculture, CBO estimates that implementing this section would cost \$1 million a year.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 2844 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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